

## MEDICARE DRUG COVERAGE (PART D) HOW DOES IT WORK?



Whether you're going on Medicare for the first time, changing who provides your drug coverage or choosing a plan for next year it is important to understand how this benefit works to make sure you are getting coverage to meet your needs.

### HOW DOES IT WORK?

Medicare Part D is an optional benefit. Medicare drug coverage is offered to everyone with Medicare. There are two ways to get this coverage:

- Join a Medicare Drug Plan. These plans add drug coverage to:
  - Original Medicare; or
  - A Medicare Private Fee-for-Service (PFFS) plan that does not offer prescription drug coverage, or
  - A Medicare Cost Plan if it doesn't offer Medicare prescription drug coverage.
  - You must have Part A and/or Part B to join a Medicare Part D drug plan
- Join a Medicare Advantage Plan (like an HMO or PPO) that offers drug coverage along with medical benefits.

- Remember you must have Part A and Part B to join a Medicare Advantage Plan.
- You must live in the plan's service area.

### If you have employer or union drug coverage

Call your benefits administrator before you make any changes, or sign up for Part D coverage. Signing up for a Part D plan could cause you to lose your employer or union coverage and you may not be able to get it back.

### HOW MUCH DO I PAY?

When you get Medicare drug coverage you pay part of the costs and the Medicare drug plan pays part of the costs. Your costs can include a monthly premium, yearly deductible and

copayments or coinsurance. All of these costs can change from year to year because drug plans have annual contracts with Medicare.

### Monthly Premium

Most plans charge a monthly fee that differs from plan to plan. If you have a higher income you may have to pay more for your Part D coverage. Social Security will send you a letter if you have to pay this higher premium. The extra amount will be taken out of your monthly Social Security or Railroad Retirement check. If you do not get Social Security or Railroad Retirement benefits yet, you will get a bill from Medicare for the extra amount. It is not paid to your drug plan.

When you enroll in a plan you can choose how to pay your premium. You can contact your plan to set up your preferred payment option. These include:

- automatic deduction from your Social Security or Railroad Retirement Board check
- having your plan bill you each month
- deducting it from your checking or savings account
- charging it to a credit or debit card

### Yearly Deductible

The deductible is what you pay for your prescriptions before your drug plan begins to pay its share of your covered drugs. Some drug plans don't have a deductible or waive the deductible for certain tiers of drugs on their formulary. A formulary is the list of drugs covered by a plan.

### Copayment or Coinsurance

These are the amounts you pay for your prescriptions after the deductible (if the plan has one). You pay your share and your drug

plan pays its share for covered drugs. Many plans use different "tiers" to determine what you pay. A drug in a lower tier will usually cost you less than a drug in a higher tier. A copayment is a set dollar amount. Coinsurance is a percentage of the drug cost, which means your cost may vary throughout the year if drug costs change.

### Catastrophic Coverage

Once you've met the annual out-of-pocket threshold for the year, you automatically reach the "catastrophic coverage" phase and will not pay anything for covered prescriptions for the rest of the calendar year.

### Late Enrollment Penalty

A late enrollment penalty is an amount that's permanently added to your Part D premium. You may owe a late enrollment penalty if at any time after your **Initial Enrollment Period\*** there's a period of 63 or more days in a row where you don't have Part D or other **creditable prescription drug coverage**.

Creditable prescription drug coverage is drug coverage that is as good as, or better than Part D coverage. This includes drug coverage from a current or former employer or union, TRICARE, Indian Health Services, the Department of Veterans Affairs, or individual health insurance coverage. Your plan must tell you each year if your drug coverage is creditable coverage. **Keep this information because you may need it if you join a Medicare drug plan later.**

If you wait to enroll in a Part D drug plan, the plan will send you a letter asking if you have had creditable drug coverage since you enrolled in Medicare. Make sure you respond to the plan by the required deadline. If you don't, you may have to pay a penalty.

\* **Initial Enrollment Period** is the 7 month period that begins the 3 months before you turn 65, the month you turn 65, and the three months after the month you turn 65. This also applies to those becoming eligible for Medicare due to disability.

**If you get “Extra Help” with your Medicare drug costs you don’t pay a late enrollment penalty.**

## WHAT DRUGS ARE COVERED?

Review your prescription drug needs and look for a plan that meets these needs. Medicare drug plans may vary in what drugs they cover, and some may have special rules that you must follow before a drug is covered.

### Formulary

Each Medicare drug plan has its own list of covered prescriptions, called a formulary. If the plan uses tiers, the formulary lists which drugs are in each tier. Formularies include both generic and brand-name drugs. Plans are required to cover most types of drugs that people with Medicare use. Do not assume a plan will cover all of your prescriptions. You must check each year to make sure your drugs are covered as plans change formularies annually.

### Coverage Rules

There are three types of restrictions a plan may place on a drug. It is important for you to understand if any of your prescriptions may be subject to these restrictions.

Drug plans may require **prior authorization**. This means that before the plan will cover a particular drug, your doctor will need to provide additional information about why the drug is medically necessary for you before you can fill the prescription. Plans may also require **step therapy** on certain drugs. This means you must try one or more similar lower cost drugs before the plan will cover the prescribed drug. Plans may also set **quantity limits**, which are limits on how much medication you can get.

## Pharmacy Choices

Each drug plan has a list of pharmacies you can use. If you want to continue filling prescriptions at the same pharmacy you use now, check to see if your pharmacy is on the plan’s list. Some plans have **preferred** pharmacies which offer lower costs than other network pharmacies. Also some drug plans may offer a mail-order option that will allow you to have drugs sent directly to your home. You should consider the most cost effective and convenient way to have your prescriptions filled.

Plans can change their pharmacy network each year. Even if you’re not changing plans next year, make sure your pharmacy is still in your plan’s network. If you spend part of the year in another state, make sure the plan will cover you there.

## WHAT IF I NEED HELP PAYING MY DRUG COSTS?

If you have limited income and resources, you may qualify for Extra Help to pay your Part D premium and prescription drug costs. You can apply for Extra Help any time.

If you are on Medicare you automatically qualify for extra help if any of the following are true:

- You qualify for Medicaid benefits
- You get help from the state Medicaid program paying your Medicare Part B premium (a Medicare Savings Program)
- You get Supplemental Security Income (SSI) benefits

If you don’t automatically qualify for extra help you can apply. SHIP counselors can assist you with the application process. Call 1-800-351-4664 (TTY 1-800-735-2942) to find a counselor near you.

## WHEN CAN I CHANGE PLANS?

There are specific times when you can join, switch, or drop a Medicare drug plan.

- When you first enroll in Medicare at age 65 or older, or enroll prior to age 65 due to disability.
- Each year, everyone on Medicare can join, switch, or drop a Medicare drug plan during the Medicare Open Enrollment Period (October 15 through December 7). Any change you make will take effect on January 1 of the following year.
- If you qualify for a Special Enrollment Period such as losing employer coverage, change in residence or you qualify for Part D Extra Help.
- If you are enrolled in a Medicare Advantage plan on January 1, you may change to another Medicare Advantage plan or switch from your Medicare Advantage plan to Original Medicare and a Part D plan during the Medicare Advantage Open Enrollment Period (January 1-March 31).

For other opportunities to enroll or change plans, call SHIIP.

## THINGS TO CONSIDER BEFORE YOU ENROLL OR CHANGE DRUG PLANS

- How much will you pay for your premium?
- Does the plan have a deductible?
- How much will you pay for your prescriptions?
- Does the Medicare drug plan cover all of your prescriptions?
- Does the plan have restrictions on your drugs?
- Can you fill your prescriptions at the pharmacy you use regularly?
- If you currently have coverage and join a drug plan, how will it affect your current coverage?
- If you wait to join a drug plan, will you have to pay a late enrollment penalty?
- Can you get extra help paying for your prescriptions?

## WHERE CAN I GET HELP?

You should compare drug plans every year during the annual Open Enrollment Period (October 15 to December 7) to make sure that you are in a plan that will cover all your drugs at the lowest cost.

You can visit [Medicare.gov](https://www.Medicare.gov) to compare plans. SHIIP counselors are also available across the state to help you compare your choices and understand Medicare drug coverage. SHIIP is a free, unbiased counseling program provided by the State of Iowa Insurance Division.

Find a SHIIP Counselor by calling 1-800-351-4664 (TTY 1-800-735-2942) or visit our website at [shiiip.iowa.gov](https://shiiip.iowa.gov) or contact us by email at [shiiip@iid.iowa.gov](mailto:shiiip@iid.iowa.gov)

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